

**Savings Board of Directors Board Meeting
November 20, 2019
MINUTES**

Board Present:

Chair John McMillan
Mr. Jack Knight
Mr. Edward Reifenberg (phone)
Ms. Heidi Lee
Ms. Susan Tully
Dr. Jim Purcell
Ms. Sara Calhoun (phone)
Ms. Judy Miller for Lt. Gov. Ainsworth

Board Absent:

Dr. Ken Tucker
Mr. Daniel Hughes
Mr. Ronald Stokes

Others Present:

Ms. Daria Story, Assistant Treasurer
Ms. Anita Kelley, Program Director
Ms. Brittany Carter, External Affairs
Mr. Jay Steinacher, Union Bank & Trust
Ms. Cari Kaup, Union Bank & Trust
Ms. Annoesjka West, Callan
Mr. Todd Carabasi, Callan
Mr. Rob Noe, Wilshire Associates (phone)
Mr. John Nagle, Wilshire Associates (phone)
Ms. Rachel Biar, Enable Savings Plan Alabama (phone)
Ms. Deborah Goodkin, Enable Savings Plan Alabama (phone)

Pursuant to written and public notice, the meeting of the Savings Board of Directors was held in the RSA Union Conference Room in Montgomery, AL on November 20, 2019.

The meeting was called to order by Chair McMillan at 9:00 a.m.

Roll was taken with a quorum present.

Chair McMillan presented the minutes of the August 21, 2019 board meeting. A motion for approval was made by Dr. Purcell, seconded by Mr. Knight, with unanimous approval.

Chair McMillan called on Deborah Goodkin and Rachel Biar to present the quarterly report for the Enable Savings Plan. Ms. Goodkin presented numbers on the total assets and accounts. She stated that as of 09/30/19 there were \$1,205,638 in assets and 247 active accounts and showed the breakdown in which the assets have been invested and the investment returns. She presented information regarding account owner disability type. She also gave information on customer call service including speed to answer,

abandonment rate and average call time. Ms. Goodkin gave information on the different events and speaking engagements that Enable staff had attended over the past quarter. The report was received as informational.

Chair McMillan called on Anita Kelley to give the program report for CollegeCounts. Ms. Kelley presented marketing initiatives for the remainder of the year as well as information on this years Scholarship application dates. She provided information on the end of year budget for fiscal year 2019 and the 2020 budget and discussed a spreadsheet showing the Statement of Cash Flows for the scholarship program that showed the balance in the account was \$11,645,550 as of 09/30/2019. Dr. Purcell suggested researching other 529 programs that open accounts for newborns or children starting kindergarten each year as a marketing initiative instead of the current marketing plan. Ms. Kelley will research other programs. The written report was received as informational.

Chair McMillan called on Jay Steinacher and Cari Kaup with Union Bank and Trust for the quarterly program report. Mr. Steinacher stated there were 95,566 active accounts with total assets in the plan of \$1.82 billion. This represents a 12.76% increase YTD. He stated the number of Alabama account holders is 57,727 with \$1.05 billion in plan assets. This is a 17.96% increase YTD. Mr. Steinacher said YTD contributions were \$131.1 million of which rollover contributions were \$20.71 million. He stated that 68.3% of all Direct accounts and 72.2% of all Advisor accounts are invested in the age-based portfolios. He said the average age of the account owner is 50 years of age while the average age of the beneficiary is 13 and the average account size in the plan is \$20,943. Ms. Kaup provided detailed information on new account statistics, distributions and market values of the investments. She also presented information on the call center, web activities and grass roots efforts. The written report was received as informational.

Chair McMillan called on Rob Noe and John Nagle of Wilshire Associates for the investment performance report. Mr. Noe provided commentary on the economy including the U.S. and international equity markets, as well as, the fixed income, real estate and commodity markets. He provided a summary of the individual fund portfolios for both the Direct and Advisor Plans and discussed fund performance compared to the relative benchmarks. Mr. Noe highlighted the weak relative performance of the T. Rowe Price Large-Cap Growth fund and DFA U.S. Small Cap Value fund and the strong relative performance of the Vanguard Explorer 529 fund and noted all other funds performed well or in line with their respective benchmark. In terms of the Advisor Plan, Mr. Noe noted the weak relative performance of the BlackRock Inflation Protection Bond fund and the DFA International Small Company 529 fund and the strong relative performance of the T. Rowe Price QM US Small-Cap Growth Equity fund for the YTD and one year numbers and stated that all other funds performed well or in line with their respective benchmark. Will Beck and Marisa Walters, two members of Wilshire's Fixed Income Manager Research Team, provided information on the Templeton International Bond Fund's recent underperformance and current portfolio positioning. Wilshire continues to have confidence in this product. Mr. Noe also discussed the MainStay Total Return Bond fund in both the Direct and Advisor Plans. Due to the upcoming retirement of the lead portfolio manager of this fund, Wilshire will present potential replacements at the next Board meeting. The written report was received as informational.

Chair McMillan called on Annoesjka West and Todd Carabasi with Callan to present the consultant's report. Mr. Carabasi also discussed the upcoming retirement of Dan Roberts, the portfolio manager for the MainStay Total Return Bond fund. Ms. West discussed the Watch List and stated that there are no recommendations for additions or removals from the current Watch List and all funds currently on the Watch List are recommended to remain at this time. In reviewing the Watch List, Callan highlighted two funds for potential removal. The BlackRock Inflation-protected Bond fund (Advisor Plan), has been on watch since August 2015. The fund continues to trail both the benchmark and peer group median over the trailing three and five-year periods. The fund has also underperformed in five of the last six quarters. The American Century Equity Growth fund (Advisor Plan), was also discussed and has been on watch since August 2016. While the fund is slightly ahead of peer median over the three-year period, ranking in the 49th percentile, the fund lags the benchmark over the three and five-year periods and the peer median over the five-year period. At an organizational level, American Century had a high-profile departure during the second quarter 2019, with their CIO leaving the firm for personal reasons. The firm also experienced significant turnover in 2017. Discussion ensued regarding the funds. Wilshire was asked to consider if the two funds were needed due to the low balances maintained. Wilshire stated that they would consider the option of whether removal of the funds without replacing was appropriate. If replacements are preferred, Wilshire will present recommendations at the next Board meeting. A motion to approve the Watch List recommendations was made by Dr. Purcell, seconded by Ms. Lee, with unanimous approval.

Mr. Steinacher presented handouts regarding the most recent Morningstar ratings. He stated that the Direct Plan was downgraded from Silver to Bronze and the Advisor Plan remained at Neutral. Mr. Steinacher stated that the reduction in fees in the upcoming contract renewal could help with future ratings.

Chair McMillan presented a memo outlining the history of the K-12 legislation along with draft legislation that the Treasurer's office is considering presenting during the next session to clarify withdrawals for secondary and elementary schools, as allowed in IRS 529, is allowed within the state's legislation.

Chair McMillan noted the 2020 Board Meeting dates.

There being no further business, a motion to adjourn was made by Mr. Knight, seconded by Ms. Lee, with unanimous approval. The meeting adjourned at 10:29 a.m.

Anita Kelley, Director

John McMillan, Chair